

THE LEONARD LETTER

*A weekly electronic newsletter about
California government, business and taxes*

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January 29, 2007

QUOTE OF THE WEEK

*“To take is to tax when you're talking about people's incomes.”
--- George Skelton, Los Angeles Times columnist, on what Gov. Schwarzenegger called a “loan”
to fund his health care plan.*

UNDER THE DOME

*****More of a Bad Thing?*****

It makes no sense to require employers to provide health insurance. It is no different from requiring them to provide food, clothing or shelter for their employees and their dependents.

Imagine if your employer had to pay for all of your family's clothes with clothing insurance. Popular clothing items would immediately disappear because they would be “free” to employees and their families, so people would demand more of them. Clothing stores would change their business practices to cater to employers' insurance companies, who would be their real customers. Clothing insurance companies would set clothing allowances and prices that would not stress service or a wide range of choices. If this scenario is too far fetched for you, then substitute food or shelter as an employee insurance benefit and imagine what might happen if you had to go through your insurance company to get either.

Many employers began offering healthcare during World War II because wages and prices were strictly controlled by federal law. In order to attract workers or retain them, profitable wartime manufacturers used healthcare as an incentive. The cost was a tax deduction for the employers, but it was not treated as compensation for the employees (so it was both tax exempt and exempt from the wage freeze). Employer-based healthcare is an example of the way the free market always triumphs over government's attempts to evade it. The whole nutty system would have ended the moment wage and price controls ended but for the fact that state and federal tax authorities continued to treat these benefits as tax exempt (but tax deductible to employers). If an employer chose to pay higher wages instead of providing free healthcare to its employees, an outright majority of these wages could be lost to taxes (i.e., state and federal income taxes, employer and employee contributions to Social Security and Medicare, State Disability Insurance, Unemployment Insurance premiums, etc.). Now, we are stuck with a healthcare

system that largely depends on where you work, not what you want, what you need, or what you are willing to pay.

A better plan would be tax-free healthcare savings accounts. Contributions would be tax deductible for employers and employees alike. Consumers could purchase any insurance plan with pre-tax dollars, not just those offered by their employer. Insurance coverage and account balances would have nothing to do with your employer. Many consumers could actually shop for medical services for the first time in their lives, the way they shop for everything else. Competition would improve services, reward innovation, and lower prices. Who knows, we might even have discount all night medical clinics the way we have all night supermarkets in every corner of the state.

*****Abolish the BoE! (Just the Name)*****

From the Leonard blog

Friends, the time is long-past to address the fact that our name – the Board of Equalization – is not very descriptive of what we do. True, the first duty of the BoE when it was formed in 1879 was to equalize county property tax assessments practices. But since then, the mission of the BoE has expanded to include administering the lion’s share of California’s tax programs.

It is not hard to discern why the BoE is considered an obscure department when it has a name that does not describe 95% of its work. I have great sympathy with people who call my office wanting to report that they have been discriminated against. Their disappointment is palpable when they learn that “Equalization” is not an homage to the Civil Rights era.

I would love to hear suggestions. I am thinking that the California Tax Board, or maybe California Tax Commission, sound good to the ear, but I want more choices.

*****Senator Perata Has Rights Too*****

From the Leonard blog

My friend Anthony York usually gets it right in his insider reporting of Capitol news, but his Capitol Weekly story about Senator Perata goes for the cheap shot. He accuses Perata of “exploiting a campaign loophole” because Perata is engaged in a public campaign to explain his health care reform package. Has everybody forgotten the free speech rights enjoyed by Americans? Not only is this not a loophole, it is a constitutionally guaranteed right. Furthermore, I would much prefer a public discussion of these big issues to midnight deals on the last night of session that slide by even good reporters like York. Thank you, Senator Perata, for your willingness to use private money to explain your complex and controversial legislation. This is the kind of “post-partisan” debate we need more of.

*****Turnover Tales*****

Someone asked last week what district number I represented in the Assembly. For such a straightforward lesson, it does not have an easy answer. My district numbers changed several times over the years. I found a terrific resource for anyone looking for such trivia. A Wikipedia entry has catalogued the members of the California legislature and their district numbers—in the

Assembly back to 1979 and in the Senate back to 1995. I had fun looking back at the names of friends and colleagues and remembering the many issues that united and divided us over those decades. To get a sense of the turnover that occurs in the legislature—even before term limits—check out this entry:

http://en.wikipedia.org/wiki/Members_of_the_California_State_Legislature

ISSUE FOCUS

*****Kudos to West Covina School Board*****

Kudos to my friend Mike Spence, the West Covina School Board Member who successfully passed a resolution that will have the school district using the Department of Homeland Security's Basic Pilot Program to screen employees for their eligibility to work legally in the U.S. According to Carl Olson, Chairman of State Department Watch, West Covina is the first school district in the nation to take this important step. Spence won the unanimous support of his colleagues for this common sense approach to employment screening and it shows that there are some in government who still care about being role models for the Rule of Law.

If you are a business owner who wants to take advantage of this free online system to help ensure that you do not unwittingly hire an illegal immigrant, go to:

<https://www.vis-dhs.com/EmployerRegistration/StartPage.aspx?JS=YES&AccessMethod=>

*****Traffic Liberties*****

I read recently about a few cities in Europe that are doing away with stop signs, traffic signals and painted lines on streets. It sounds risky, and yet it seems to be having a very orderly impact. Dutch traffic expert Hans Monderman says, "The many rules strip us of the most important thing: the ability to be considerate. We're losing our capacity for socially responsible behavior. The greater the number of prescriptions, the more people's sense of personal responsibility dwindles." The idea is that when the stop signs go away, drivers must slow down, be more cautious, look for other vehicles and pedestrians, and communicate effectively with other drivers by way of hand signals, nods and waves. It is a fascinating experiment. What would happen if we created environments where instead of nanny government circumscribing your behavior, you had to act on the principle of doing unto others what you would have others do unto you?

*****"InnerSpark" Arts Summer School Applications Available*****

Does a young person you know have an "artistic" spark? California provides an incredible opportunity for high school students to participate in a unique art institute and receive intensive training from professionals in music, theater, visual arts, dance, creative writing, animation, and video and film. "InnerSpark" application forms for this summer are now available. This program is a terrific opportunity for creative young people to learn their craft, have an invaluable

experience and enhance their education. And the fact that Jacob Leonard is a graduate is only part of the reason I support this program.

InnerSpark is held in Valencia at the California Institute of the Arts (CalArts), a fully accredited degree granting institution of higher learning for students of the visual, cinematic, and performing arts. This year's program runs from July 14 through August 11, 2007. Tuition is \$1,350 for California residents, \$4400 for out of state residents. Full and partial scholarships are available for first-time California resident attendees only. All application materials must be postmarked by February 28. Complete program descriptions, answers to commonly asked questions, and the application forms and instructions are available at this site:

<http://www.csssa.org>

*****Wanted: Government Script Reviewers*****

If you have not been following the entertainment coverage of the Sundance film festival this week, you may not be familiar with the controversy over the film "Hounddog." It stars 12-year-old actress Dakota Fanning whose character, a young girl growing up in the 1960s South, is raped. According to news coverage, the rape scene is not graphic and does not have any nudity. The film was shot in North Carolina and now a state senator there is suggesting that the state government review the scripts of movies being shot in the state before filming begins. That requirement would only apply to films that seek payment from the state's incentive fund, which offers to refund up to 15% of what film productions spend in the state. Senator Phil Berger asks, "Why should North Carolina taxpayers pay for something they find objectionable?" Indeed. Perhaps taxpayers there should be asking why they should have to pay for any movies other than the ones they choose to go to the theater to see or the DVDs they decide to rent.

Rather than have government pick and choose products that it likes, let's just reduce the level of taxation on all businesses and avoid this problem.

MISCELLANY

*****A Good Read*****

"The God That Did Not Fail" by Robert Royal is a great history of Western Civilization and how Judeo-Christian thought -- with influence from Greek, Roman, and Muslim sources-- enhanced liberty and freedom throughout the world. But it was the book's subtitle that hit me as I neared the end of the book. Using the subtitle "How Religion Built and Sustains the West," Royal discusses the growing importance of faith today in a world of what appears to be dominant secularism.

In fact, each time some secularist predicts the death of God or the end of religion, it is usually followed by a spurt of religious enthusiasm. Royal eloquently argues that religion is a permanent part of human nature and that faith, reason and freedom all spring from these same impulses.

The last paragraph of the book is priceless: “God has not failed, and will not fail for any of the reasons usually given over the past century. He can fall into relative neglect if individuals, many individuals, fail to appreciate the true source of their own dignity and freedom. That has happened over and over in Western history. We experienced a sharp dip of that kind in the middle of the past century, but every indication we have at the moment is that religion is not only strong but growing in the twenty-first century. And no wonder. With the spectacular failure of the various inhumanities that have come into being in the last two hundred years, the many theories of man that claimed to liberate him but in fact enslaved him, the way is open once more to a new effort to bring faith and reason to bear on difficult and complicated questions of human existence. There are no absolute guarantees in that quest, but we can be certain that, if God exists, he will not allow his people to remain without help forever.”

*****New Citizenship Test*****

To see the official answers to the pilot U.S. citizenship questions below, go to <http://www.uscis.gov/portal/site/uscis/menuitem.5af9bb95919f35e66f614176543f6d1a/?vgnextoid=dcf5e1df53b2f010VgnVCM1000000ecd190aRCRD>

71. What is self-government?
72. Who governs the people in a self-governed country?
73. What is the “rule of law”?
74. What are “inalienable rights”?
75. There are four amendments to the Constitution about who can vote. Describe one of them.
76. Name one responsibility that is only for United States citizens.
77. Name two rights that are only for United States citizens.
78. Name two rights of everyone living in the U.S.
79. What is the Pledge of Allegiance?
80. Name one promise you make when you say the Oath of Allegiance.

BOE AND LEGISLATIVE DATES

January 31, 2007 --- Board of Equalization meets in Sacramento.

February 1, 2007 --- Board of Equalization meets in Sacramento.

February 12, 2007 --- Abraham Lincoln's Birthday.

February 19, 2007 --- George Washington's Birthday observed.

February 23, 2007 --- Last day for bills to be introduced (J.R. 61(a)(1), J.R. 54(a)).

February 27-28, 2007 --- Board of Equalization meets in Culver City.

March 1, 2007 --- Board of Equalization meets in Culver City.

March 20-21, 2007 --- Board of Equalization meets in Sacramento.

March 29, 2007 --- Spring Recess begins upon adjournment (J.R. 51(a)(2)).

March 30, 2007 --- Cesar Chavez Day.

NOTABLE DATES/ HISTORY

January 29, 1995 --- The San Francisco 49ers made NFL history by winning their fifth Super Bowl.

January 30, 1862 --- The U.S. Navy's first ironclad warship, the Monitor, was launched.

January 30, 1971 --- UCLA's basketball team started an 88-game winning streak.

January 31, 1851 --- San Francisco Orphan's Asylum, the first in California, was founded.

January 31, 1865 --- Congress approved the 13th Amendment to the United States Constitution, which abolished slavery.

January 31, 1911 --- Congress named San Francisco as the site for the celebration of the opening of the Panamá Canal.

February 1, 1968 --- Former Vice-President Richard Nixon announced his candidacy for President.

February 1, 1790 --- Chief Justice John Jay presided over the first meeting of the Supreme Court of the United States in New York City.

February 1, 2003 --- The space shuttle Columbia broke apart and burned while re-entering Earth's atmosphere, killing all seven crew members.

February 2, 1848 --- The treaty of Guadalupe Hidalgo was signed between the United States and Mexico.

February 2, 1848 --- The first shipload of Chinese arrived in San Francisco.

February 2, 1979 --- Sherry and Bill Leonard were married in San Bernardino. I love you Sherry.

February 3, 1870 --- The 15th Amendment to the United States Constitution, guaranteeing African American voting rights, became law.

February 3, 1984 --- The first baby conceived by embryo transplant was born in Long Beach, CA.

February 4, 1789 --- The Electoral College unanimously voted George Washington to be the first president of the United States.

February 4, 1945 --- The Yalta Conference convened with Franklin Roosevelt, Winston Churchill and Joseph Stalin to establish the formulation of Allied military strategy in World War II.

February 4, 1997 --- OJ Simpson was found civilly liable for the murders of Ron Goldman and Nicole Simpson.

GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115
TDD service for the hearing impaired
TDD phones: 800-735-2929
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

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